

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7863

BILL NUMBER: SB 549

NOTE PREPARED: Jan 16, 2007

BILL AMENDED:

SUBJECT: Lottery Proceeds

FIRST AUTHOR: Sen. Simpson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that surplus lottery revenue exceeding \$200,000,000 must be transferred to the Indiana Finance Authority to pay debt service for bonds issued under the Indiana Opportunity Program. The bill establishes the Indiana Opportunity Program to be administered by the Indiana Finance Authority. It authorizes the Indiana Finance Authority to issue bonds to fund the Indiana Opportunity Fund to provide grants to state universities to retain and attract faculty and to provide money for the Indiana Opportunity Scholarship Program. It also establishes the Indiana Opportunity Scholarship Program to award scholarships to students who agree to live and work in Indiana for at least 4 years following their graduation.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Lottery Revenue Transfer for Indiana Opportunity Fund Bonds:* The bill limits to \$200.0 M the annual amount of surplus Lottery revenue the Lottery Commission transfers from the Administrative Trust Fund to the Teachers' Retirement Fund, the Pension Relief Fund, and the Build Indiana Fund (BIF). The bill also requires the Lottery Commission to transfer the annual surplus Lottery revenue exceeding \$200.0 M to the Indiana Finance Authority (IFA) to pay debt service on bonds issued by the IFA, the proceeds of which are deposited in the Indiana Opportunity Fund established by the bill. The transfer limit and new transfer to the IFA would begin in FY 2008. The bill would not affect the required transfers of surplus Lottery revenue to the Teachers' Retirement Fund or the Pension Relief Fund. Current statute unchanged by the bill requires these transfers to be made before any other transfer, including the annual transfer to the BIF. In years that surplus Lottery revenue exceeds \$200.0 M, the bill would shift revenue that would otherwise have been transferred to the BIF to the IFA for debt service on Indiana Opportunity Fund bonds.

Annual net income generated by the Hoosier Lottery has exceeded \$200.0 M in only two years since FY 1990 (the Lottery's first year of operation). The table below reports the fiscal year net income totals for the Hoosier Lottery since its incipience.

Fiscal Year	Net Income	Fiscal Year	Net Income
1990	\$130.7 M	1999	\$204.0 M
1991	151.2 M	2000	165.4 M
1992	116.2 M	2001	155.6 M
1993	146.1 M	2002	167.4 M
1994	165.3 M	2003	175.6 M
1995	183.2 M	2004	199.3 M
1996	188.1 M	2005	189.0 M
1997	176.4 M	2006	216.6 M
1998	195.5 M		
Source: Lottery Commission annual audited financial statements. FY 2006 total is an unaudited total.			

Indiana Opportunity Bonds: The bill authorizes the IFA to issue bonds without approval of any state agency for purposes of the Indiana Opportunity Fund. The Fund would be administered by the IFA and would be used to: (1) make grants to state educational institutions for the purpose of attracting and retaining faculty members; and (2) provide money for the Indiana Opportunity Scholarship Fund established by the bill. The bill limits to \$1,000.0 M the total principal of all outstanding bonds issued by the IFA for the Indiana Opportunity Fund. In addition, the bill authorizes the IFA to issue such bonds from July 1, 2007, to June 30, 2011. The bill provides that the bonds are to be paid solely from money pledged or available for bond payment. The bill also specifies that the bonds are not a debt, liability, loan of the credit, or pledge of the faith and credit of the state or of any political subdivision.

In addition to providing for the annual transfer of surplus Lottery revenue exceeding \$200.0 M for the year to the IFA for debt service, the bill also does all of the following:

- (1) Authorizes the IFA to establish a debt service fund, and if necessary, a reserve fund, for each issue of bonds for the Indiana Opportunity Fund.
- (2) Requires the Chairman of the IFA to annually certify to the General Assembly the amount required to pay debt service on the bonds or restore the reserve funds to the required debt service reserve levels.
- (3) Authorizes the General Assembly to make annual or biannual appropriations to the IFA for deposit in the reserve funds in an amount, as certified by the Chairman of the IFA, that is necessary to pay the debt service on the bonds or to restore the reserve funds to the required debt service reserve levels.

(4) Requires the surplus Lottery revenue transferred to the IFA and appropriations of the General Assembly for debt service to be deposited in the debt service or reserve funds.

The bond issuance authorization in the bill along with the provisions described in (1) to (4) above, create a moral obligation for the state to pay debt service on the bonds, if the surplus Lottery revenue pledged to the payment of the bonds is ultimately insufficient to pay the debt service.

Indiana Opportunity Scholarship Fund: The Fund consists of appropriations, money transferred by the IFA from the Indiana Opportunity Fund or from the general funds of the IFA, and donations and other revenues. The Fund is to be administered by the State Student Assistance Commission of Indiana (SSACI), with administrative expenses paid from the Fund. The bill requires the money the Fund to be used to provide annual \$5,000 scholarships to qualified students admitted to a public or private college or university to pursue an associate's or baccalaureate degree. Each scholarship is renewable for up to eight semesters. To qualify for a scholarship, the student must agree to remain and work in Indiana for at least four years following graduation, and repay an amount determined by SSACI if the student does not meet this requirement.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Finance Authority; State Student Assistance Commission of Indiana; state educational institutions.

Local Agencies Affected:

Information Sources: Lottery Commission annual financial reports. Legislative Services Agency, *Indiana Handbook of Taxes, Revenue, and Appropriations*.

Fiscal Analyst: Jim Landers, 317-232-9869.